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### For-Profit Colleges on the Brink—Part 4

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By Peter Wood

Does American higher education need a robust for-profit sector? What are the benefits of preserving it? In the last of this four-part series on the current regulatory assault on for-profit colleges and universities, I argue that for-profit higher education adds a vital element of versatility to our system. The for-profit sector right now provides some examples of egregious misbehavior. The companies that are engaged in mischief need to be reined in, but we should do that in a manner that preserves the very real potential of this sector to serve the public good.

#### Reprise

At the end of part 3 of this series I quoted one of the more eloquent defenders of the for-profit higher education, Diane Auer Jones. She makes the case that the for-profits, such as her employer, Career Education Corporation, fill an important gap by offering a college education to students whose academic records and financial situations are likely to prevent them from attending (or completing) a mainstream college. Jones acknowledges the student loan debt problem (and high default rates) but counters that (1) the public costs of for-profits are actually lower on a per student basis than the non-profits, once all the hidden subsidies are added to the non-profit side of the ledger; and (2) the real problem with excessive student loan debt arises from Congressional rules that allow individuals to take out federal loans to cover all sorts of expenses (phones, cars, daycare) beyond tuition, room, and board.

That's one way to defend the for-profit sector. Or more precisely, the for-profit sub-sector that focuses on serving the "under-served." But it is not the argument I make here. The for-profit universities have identified a very lucrative market niche in going after these left-behind students, but it is a niche that lasts only so long as there are large amounts of loose federal dollars available through our student loan system for individuals who have a combination of poor academic preparation, little sign of academic aptitude, poor credit risk, and time on their hands. Some of these students indeed beat the odds. They attend the for-profit degree programs, gain real skills, and get started on a worthwhile career ladder. But so far, it looks like a large majority of students in these programs end up floundering—and deeper in debt.

I am happy to accede to Jones's altruistic view of the situation to the degree that she makes a case that the for-profits serve a public good by taking some students off a dead end path. If that were the only consideration, however, we would be left with a fairly simple cost-benefit analysis. Is it worth the very large sums of taxpayer dollars to continue the student-loan-funded for-profit companies, knowing as we do that a large percentage of their students end up with no degrees, no marketable skills, and a lot of debt?

Maybe. Maybe not. I am more concerned with several other aspects of for-profit higher education. In part 3, I contrasted the cost structure of the non-profits with the for-profits. The non-profits have bound themselves hand-and-foot to enormously expensive practices that are practically impervious to rational budget-cutting. The for-profits—most of them—have bypassed these costs, and they are not bound by sentiment, politics, or interest groups to add them. Maybe the biggest danger that the for-profits face is the maneuvering by accreditors and federal officials to make them conform more to the standard model.

For example, I recently learned of a case in which a start-up for-profit university offering only narrowly-focused masters' degrees in a highly technical field was advised by the regional accreditor to which it had applied that it really ought to add a *provost* to its administration in addition to the university president and dean of faculty. Given the importance of accreditation as the gate-keeper for student loans, the for-profit university is complying without murmur. But on the face of it, this is an increase in administrative overhead mandated not by the practical need of the university but by the accreditor's sense of how things should be done.

If the for-profits can withstand such pressures to load themselves down with supernumerary expenses, they will be well-positioned to compete for students against the non-profits. This might not matter so much if American higher education were to continue to enjoy its plush position as the destination of choice for some 70 percent of high school graduates. But there is growing evidence of cost-resistance and loan-reluctance on the part of Americans. Community colleges are bulging at the seams with students who once would have enrolled without another thought at four-year institutions. Boys have been evaporating from the college market for more than a decade—partly because they see viable alternatives to a four-year degree. "Discount rates" (the actual price of tuition, after college-originated financial aid is taken out) at private four-year institutions are accelerating. And the news media are crowded with stories of graduates who are deep in student loan debt without the prospect of finding work commensurate with their degrees. If the higher education bubble bursts, the for-

profit sector is in a much better position to survive the damage.

### Distinctions

The for-profit sector is often spoken of as though it were a fairly uniform thing: large publicly-traded companies that make abundant use of online courses and economies of scale to enroll poorly-qualified or other non-traditional students in vocationally-oriented programs. Though this accounts for a large majority of the 1.8 million students currently enrolled in for-profit colleges, it is not the whole picture. There are over 2,000 for-profit colleges, many of them small, niche-specialists; and some with enviable reputations. The Association of Private Sector Colleges and Universities (APSCU) has among its [members](#) some of the well-known giants (Corinthian Colleges, Inc., DeVry, Inc., Kaplan Higher Education Corporation, etc.) but a great many smaller fish that don't look like they pose any threat to the integrity of higher education. I am not sure whether it makes the best sense in the world to classify the [New England Tractor Trailer Training School](#) as a college, but it probably does less harm to the minds and character of its students than some of its Ivy League counterparts. The [Water Technologies Training Institute](#) serves the nation's need for well-trained "water treatment professionals." The [International Export Institute](#) provides online training leading to a bachelor's degree and certification in international trade. [Full Sail University](#) has nothing to do with boats; it specializes in the entertainment business and teaches students skills such as staging concerts and producing video games. For boat-building you need the [International Yacht Restoration School, Inc.](#)

None of these colleges pretends to offer anything like a liberal arts education; each of them, however, focuses on sets of skills that have a direct connection to the workforce. And I can think of lots of students I've taught over the years at both a large research university and a small liberal arts college who would have been better off as a matter of their actual interests in such a setting.

Why is it that the not-for-profit world of higher education has so little of this genuine variety? Perhaps there are programs like this tucked away inside large universities. But my own experience in a large university was that it was awfully tough to set up a specialized program that wasn't hamstrung by the need to impose all sorts of academic regulations and requirements that had little to do with the purpose at hand. Try to build an international trade certification program in a typical university and you will end up with a basketful of requirements on fair trade, sustainability, globalization studies, and post-colonial theory. It is just how things work.

When I look to the for-profit sector, I think more about this proliferation of small players who see a need to propagate a particular skill set and are willing to cut through the ideological thicket of contemporary higher education to provide the requisite training. But that's not all I see.

### The Liberal Arts Alternative

For several years I served (unpaid) on the board of directors of a start-up for-profit online institution, Yorktown University. Yorktown wasn't one of the for-profit institutions that took off in the boom period for these institutions. That was because it was originally designed to be a genuine liberal-arts college rather than a vocationally-oriented credentialing mill. It also took the path of trying to navigate the regulatory maze on its own. The big for-profit universities typically proceeded by buying up already-accredited colleges and transforming them into platforms for their own programs.

I left Yorktown's board because the board of my own organization, the National Association of Scholars, worried that the appointment might be seen as a conflict of interest. There was no real conflict. Rather, it was an opportunity to see close-up the challenges and opportunities that are characteristic of for-profit higher education and online education. Yorktown University has spent more than a decade and a great deal of money trying to establish itself, first in Virginia and now in Colorado. Every step of the way has been a battle with regulatory authorities to acquire just the basic right to offer for-credit courses.

Mostly what I take from Yorktown is the recognition that for-profit status is something that can be put to a lot of different uses. The predominantly vocational path chosen by Phoenix, DeVry, Kaplan, Strayer, Capella, etc. is one approach; Water Technologies Training Institute and the class of schools teaching niche skills is another. It certainly seems possible that scholars interested in keeping the traditional liberal arts alive may find for-profit sponsors as well, i.e. sponsors who understand that a for-profit business structure is not necessarily antithetical to studying ancient Greek, modern philosophy, great books, whatever else a liberally educated person ought to know. If for-profit status liberates the college from the expensive folderol of the contemporary non-profit liberal arts college, it might well prove viable.

I am not, however, counting on the for-profit sector to rescue real liberal learning in such a direct fashion. What seems to me a lot more likely is that the great American experiment of mass higher education will begin to dissolve over the next decade or so. Despite President Obama's call in February 2009 that the U.S. become by 2020 the nation with the largest percentage of college graduates in the world, we are likely to be entering an era in which large numbers of students will seek out alternatives to the established four-year baccalaureate degree as both the basic college education and the basic market credential. The university as a vaporous promise of everything-for-everybody is all ready on the ropes. Think of what is happening in California, where Governor Brown has just called for an [additional \\$1.4 billion in cuts](#) to public higher education. There is only worse to come, and the near certain result is that the ideal of mass higher education is going to be broken into pieces. Many of those pieces will be de-funded and discarded. Others will be radically transformed. Whatever can be relegated to self-funded (i.e. for-profit) enterprises will be.

The deep value of for-profit education is that it breaks the practical monopoly on what a college can be. The behavior of some of the big for-profits remains a scandal and needs to be corrected. They may be the robber barons of higher education. But the robber barons of times past bequeathed us a national railway system, a functioning oil industry, and the basis for a century of national prosperity. I'd gladly forgive the depredations of the for-profit colleges on the national treasury if their real legacy were to help the United States transition to a

genuinely diverse and flexible form of higher education.

I started this series of posts with the question whether the National Association of Scholars and others who are concerned with the survival of liberal education should care one way or the other about the fate of for-profit education. My answer is that we should. It isn't the same affirmation that the for-profit industry itself generally gives. Liberal education has no real stake in the success of those corporations that draw a tidy profit from convincing marginal students to sign up for federal loans. There may be a good social welfare case for that practice. I leave that for others to decide. But liberal education does have a stake in finding ways to carry on in a culture that is largely hostile to its purposes and in an institutional setting that is increasingly vulnerable to public disaffection.

In that light, we need the flexibility and versatility that the for-profits have modeled. Perhaps we will end up with Yorktown-like for-profit liberal arts colleges. More likely we will end up with a great culling out of colleges and universities and a willingness among the survivors to look to the for-profits for models of how to re-build themselves. With that in mind, we should do our best to make sure the needed reforms in the for-profit sector don't bleed the patient to death. We will all profit from the for-profits, provided we don't kill them first.

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